

Testimony of John R. Njord, PE
Before the
Subcommittee on Highways and Transit
Of the
House Committee on Transportation and Infrastructure

Public Private Partnerships: Innovative Contracting

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss Utah's experience with innovative contracting and public private partnerships.

Utah's Growing Needs

As the fifth fastest growing state in the union, Utah continues to experience rapidly expanding transportation needs. Our growth is compounded by the highly urbanized profile of the state. Eighty-eight percent of Utah's 2.6 million people live in urban areas, with most of that population living along the Wasatch Front – a narrow 125-mile corridor comprising the metropolitan areas of Salt Lake City, Ogden and Provo. Utah will add another one million people along the Wasatch Front alone by the year 2030. In addition, St. George City, located in the southwest corner of the state, is now the fastest growing metro area in the entire country. Consequently, while Utah faces challenges associated with an aging and deteriorating infrastructure, our greatest challenge is addressing growth and increasing congestion. In the face of these growing needs, Utah continues to pursue strategies that help meet our increasing needs, including new state financing tools and improved project delivery.

Innovative Contracting: Design-Build

The traditional design-bid-build process has served Utah and this country well for procuring transportation projects. It's a familiar and established way to deliver a project, ensuring that the design and final project are acceptable to the project owner, and for its suitability for competitive bidding. The overwhelming majority of Utah's current and future highway projects will be delivered under the traditional design-bid-build model. However, as appropriate, Utah is also embracing new and innovative methods to deliver projects and, possibly, help finance our state's future transportation needs.

Since 1997, when the Utah State Legislature approved comprehensive legislation authorizing the use of design-build, the Utah Department of Transportation (UDOT) has implemented design-build as an alternate project delivery method. Utah's most prominent example is the reconstruction of Interstate 15 through the heart of the Salt Lake Valley. Completed in the fall of 2001, the project reconstructed 17 miles of freeway, including 142 bridges, three major interstate junctions, eight single point urban interchanges, and implemented an Intelligent Transportation System and Utah's first High Occupancy Vehicle lanes, which were recently converted to High Occupancy Toll lanes. The \$1.59 billion project would have normally taken 10 years but was completed in just 4.5 years and \$32 million under budget, all while maintaining traffic flow throughout the valley.

Since then, the UDOT has used design-build to deliver 16 other highway projects statewide – representing less than one percent of the UDOT's total construction. Examples range from the \$214 million reconstruction of I-15 currently underway in

Weber County, an \$11 million project to reconstruct portions of Redwood Road in the Salt Lake Valley, and small highway projects with a value of less than \$1 million, including installation of traffic signals. Additionally, the Utah Transit Authority, which operates transit services throughout Utah's major metropolitan areas, has employed design-build to accelerate delivery of light rail projects. Based on our successful use of this project delivery method, the Utah State Legislature has continued to support use of design-build and approved legislation last year that further streamlined the use of design-build where appropriate.

Design-build is not appropriate or beneficial for all projects. As stated earlier, the UDOT will continue to deliver the overwhelming majority of projects using the traditional design-bid-build process. However, design-build enables the UDOT to achieve the following objectives: complete the project in an accelerated time frame; reduce costs to the traveling public; ensure a fixed price for the project; and achieve acceptable quality. When used appropriately, design-build provides significant benefits. For example, use of design-build for the reconstruction of I-15 saved an estimated 60 million hours of delay throughout the Salt Lake Valley resulting in \$500 million savings to the traveling public, and resulted in 2,321 fewer crashes with a total savings of \$120 million associated with accident reductions. By accelerating project delivery, design-build also provides benefits for smaller projects. For example, using design-build, we're able to install new traffic signals two months faster than using traditional methods.

Innovative Contracting: Construction Manager / General Contractor

In addition to design-build, the UDOT is also employing use of Construction Manager General Contractor (CM/GC) under the SEP-15 Program. While commonly used in the vertical construction industry, CM/GC has been employed less often in the highway construction industry. We believe that CM/GC is another innovative contracting method that will allow us to accelerate project delivery for certain types of projects, such as bridge construction.

Under CM/GC, the project owner simultaneously hires both the design contractor and the building contractor. The advantage of CM/GC is that both contractors work together to develop and execute innovative design solutions. However, unlike design-build, the project owner retains full control of the project design throughout the design process. Currently, the UDOT has six CM/GC projects at various stages of development or completion for a variety of projects, including construction of a new roadway (Southern Corridor) and a new interchange (State Route 18), both outside of St. George City. In addition, the UDOT is working on a programmatic agreement with the Utah Division of the Federal Highway Administration that would allow the UDOT to implement twenty-four CM/GC federal-aid projects each year for two years on a pilot project basis. We will continue to monitor the results of CM/GC projects and determine whether, and to what extent, the UDOT will employ CM/GC in the future to improve project delivery.

Public Private Partnerships: Beyond Design-Build

Beyond design-build and CM/GC, Utah is willing to explore and consider use of other public-private partnerships to help meet our growing transportation needs. In the 2006 General Session of the Utah State Legislature, a bill was adopted that granted the UDOT comprehensive authority to enter into public-private partnerships for tollways. Under the bill, the UDOT is authorized to enter into a tollway development agreement with a private partner for one or all elements of a tollway — planning, design construction, operation, maintenance and financing. Further, the UDOT is authorized to consider and accept both solicited and unsolicited project proposals. Importantly, a tollway development agreement is approved by the independently-appointed Utah Transportation Commission, not by the legislature, to give the state greater flexibility to solicit, negotiate and accept public private partnership proposals.

Currently, Utah does not have any public private partnerships for tollways in the near-term. However, as a state, we must keep our options open and retain the opportunity to consider public private partnerships at all levels of project development and delivery if it is found to be appropriate for a particular project. Innovative project delivery through the use of design-build and CM/GC is a good step toward partnering with the private sector to help meet critical transportation needs, however, appropriate opportunities for further partnering with the private sector should be explored.

The Project Delivery Toolbox

As Utah's transportation needs grow, the state continues to pursue new strategies to help address our rising needs, including new state financing and project delivery tools. Beginning in the last decade, Utah has contributed significant state funding for highway construction, including a 10-year \$3½ billion dollar highway construction program that is nearing completion, and new legislative approval of an additional \$1 billion bond for highway capacity improvements. Further, the state recently authorized a local option sales tax which may be used by local governments for regionally significant transit, airport or highway projects. With this infusion of state funding, federal funds currently account for less than 15% of Utah's state highway program.

In addition to the increased state funds Utah is investing in our transportation infrastructure, we must also actively pursue opportunities to accelerate and improve project delivery. Under the federal-aid program, states are charged with the responsibility to deliver transportation projects. As a state, we must have every available tool in our toolbox to help ensure we can deliver critical projects. By matching the right application of public private partnerships to the right project, we can use this tool to help us deliver quality transportation projects that benefit our economy through more efficient movement of people and goods.

Conclusion

Congress has taken steps to expand public-private partnership opportunities through the federal-aid program. I hope that future actions will expand those opportunities further, providing states with the tools and flexibility to customize the best project delivery tool for each project.

Mr. Chairman and Members of the Subcommittee, thank you again for the opportunity to testify today regarding Utah's experience with innovative contracting and public private partnerships.